

Message Text

PAGE 01 PRETOR 00510 061147Z

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ACTION SS-30

INFO OCT-01 ISO-00 /031 W

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R 060947Z FEB 74

FM AMEMBASSY PRETORIA

TO SECSTATE WASHDC 9269

INFO AMCONSUL CAPE TOWN

S E C R E T PRETORIA 0510

EXDIS

CAPE TOWN FOR EMBASSY

E.O. 11652: XGDS-3

TAGS: ENRG, TECH

SUBJECT: SOUTH AFRICAN URANIUM ENRICHMENT PROJECT: APPROACH
BY GENERAL ELECTRIC TO ROUX

1. ROBERT E. JOHNSON, MANAGING DIRECTOR - SOUTH AFRICAN GENERAL
ELECTRIC COMPANY, WHOLLY OWNED SUBSIDIARY OF US COMPANY, INFORMED
ECON COUNSELOR AS FOLLOWS:

2. JOHNSON CALLED ON DR. A.J.A. ROUX, PRESIDENT - SA ATOMIC
ENERGY BOARD, A FEW DAYS AGO TO PROBE POSSIBILITIES GE ASSOCIA-
TION IN SOME FORM WITH SA URANIUM ENRICHMENT PROJECT. JOHNSON
SUGGESTED THAT TWO TECHNICALLY HIGHLY QUALIFIED EXECUTIVES MIGHT
COME TO SA TO EXPLORE FURTHER WITH ROUX.

3. ROUX SAID HE HAD IN HAND FAIRLY ADVANCED UNDERSTANDINGS FOR
PARTICIPATION BY FOUR (RPT FOUR) GROUPS ALTHOUGH ARRANGEMENTS
WOULD NOT RPT NOT BE FINALIZED UNTIL PILOT PLANT COMPLETED AND
COST-EFFECTIVENESS AND COMPETITIVES OF PROCESS COULD BE DEMON-
STRATED. ROUX MADE WHAT IS NOW RPT NOW FAMILIAR POINT THAT EFFIC-
IENCY OF PROCESS HAS BEEN CONSISTENTLY IMPROVED - THUS, INCREASING
ITS COMPETITIVE PROSPECTS - AND IS SUSCEPTIBLE FURTHER IMPROVEMENT
THROUGH TECHNOLOGICAL REFINEMENT. ROUX SAID HE NOW (RPT NOW)
BELIEVED THEY HAD REACHED THE STAGE AT WHICH THE ENERGY INPUT
FOR THE PROCESS WOULD BE ON A PAR WITH GASEOUS DIFFUSION,
SECRET

PAGE 02 PRETOR 00510 061147Z

THUS MAKING IT MORE COST-EFFECTIVE, GIVEN THE LOWER CAPITAL
COST CLAIMED FROM THE BEGINNING. ROUX DID NOT RPT NOT NAME
COMPANIES AND/OR COUNTRIES INVOLVED IN THE FOUR POSSIBLE PARTI-
CIPANTS EXCEPT TO STATE THAT ONE WAS A CONSORTIUM OF AMERICANS.

ROUX TOLD JOHNSON THAT HE WAS SATISFIED WITH THE FINANCIAL CAPABILITY OF THIS GROUP BUT HAD DOUBTS THAT THEY COULD MAKE ANY CONTRIBUTION TO THE FURTHER TECHNOLOGICAL DEVELOPMENT OF THE ENRICHMENT PROCESS OR IN SUPPLY OF EQUIPMENT FOR THE MAIN PLANT WHICH SA PLANS TO CONSTRUCT. ROUX SAID HIS PLANNING NOW (RPT NOW) WAS FOR FOUR PARTNERS EACH TAKING 20 PERCENT OF THE SHARES, ALONG WITH SA, AND PLAYING A DIRECT ROLE IN THE CONSTRUCTION OF THE COMMERCIAL SCALE PLANT THROUGH EQUIPMENT SUPPLY ACCORDING TO CAPABILITY AND COMPETITIVENESS. AS TO DISCLOSURE, JOHNSON SAID ROUX EMPHASIZED THAT WHEN PARTICIPATION WAS FIRM, THE PARTNERS WOULD KNOW ALL THAT THE SOUTH AFRICANS KNEW AND NOTHING WOULD BE HELD BACK. ROUX ADDED THAT EARLY THINKING HAD BEEN TO DEAL WITH GOVERNMENTAL AGENCIES OF OTHER COUNTRIES BUT THIS HAD SHIFTED TO REALIZATION THAT COMPANY ORGANIZATION MORE PRACTICAL APPROACH.

4. AS TO GE, ROUX INDICATED POSSIBILITY OF FURTHER DISCUSSION, QUALIFYING THIS, HOWEVER, BY STATEMENT THAT THE SA ATOMIC ENERGY PEOPLE DID NOT ENTER INTO SUCH DISCUSSIONS WITHOUT FIRST ASCERTAINING THROUGH THEIR CHANNELS THAT GOVERNMENTAL AUTHORITIES OF COUNTRY CONCERNED HAD NO RPT NO OBJECTION.

5. JOHNSON HAS REPORTED BACK TO GE AND INFORMED ROUX THAT GE VICE PRESIDENT SUTTON AND KARL COHEN PLAN ARRIVE SOUTH AFRICA MARCH 25. SUTTON UNDERSTOOD TO BE IN CHARGE GE'S NUCLEAR UNDERTAKINGS AND COHEN TO BE NOTED NUCLEAR EXPERT INITIALLY WITH MANHATTAN PROJECT AND WITH GE SINCE 1950'S. DATE WITH ROUX APPARENTLY NOT RPT NOT FIRM ALTHOUGH ROUX SAID HE EXPECTED TO BE IN COUNTRY AT THAT TIME.

6. AS USG AGENCIES NO DOUBT AWARE, GE AND EXXON HAVE BEEN COLLABORATING IN CERTAIN STUDIES REGARDING FUTURE ENRICHMENT PROGRAMS, SPECIFICALLY POSSIBILITIES IN THE GAS CENTRIFUGE FIELD. AS UNDERSTOOD BY ECON COUNSELOR, GE INITIATIVE IN REGARD TO SA IS NOT RPT NOT CONNECTED WITH GE-EXXON PROJECT AND GE WOULD INFORM EXXON OF THIS INITIATIVE ONLY IF IT DEVELOPS TO THE POINT OF AFFECTING THEIR OBLIGATIONS TO EXXON.

SECRET

PAGE 03 PRETOR 00510 061147Z

7. COMMENT: WE DO NOT RPT NOT KNOW HOW CLOSE US AGENCIES ARE TO IDENTIFYING CLAIMED SECRET SA ENRICHMENT PROCESS NOR ARE WE IN POSITION EVALUATE POTENTIAL SIGNIFICANCE OF THIS PROCESS TO OUR OWN PLANNING FOR ADDITIONS TO ENRICHMENT FACILITIES. SA PILOT PLANT CONSTRUCTION IS REACHING ADVANCED STAGE AND ALL SIGNS ARE THIS IS SERIOUS ENDEAVOR UNDERTAKEN BY HIGHLY QUALIFIED SCIENTISTS AND TECHNICIANS. GERMAN AND JAPANESE INTEREST VIA MORE OR LESS PRIVATE GROUPINGS, WITH SOME - POSSIBLY SUPERFICIAL - GOVERNMENT DISCLAIMERS, HAS BEEN IN EVIDENCE. INTEREST OF OTHERS MAY HAVE BEEN HEIGHTENED BY INTENSIFICATION ENERGY CRISIS. IN ADDITION TO COMMERCIAL COMPETITIVE IMPLICATIONS, ASSOCIATION WITH AN SA PROJECT HAS OBVIOUS AND ENORMOUS POLITICAL ONUS POTENTIAL. OTHER GOVERNMENTS CONCEIVABLY

HAVE LESS PROBLEM AND CONCERN IN THIS REGARD THAN CASE OF USG. ON OTHER SIDE OF QUESTION ARE POSSIBLE SECURITY IMPLICATIONS OF SA PROCESS AND REASONABLE CONTROL OVER WEAPONS PROLIFERATION. SA AUTHORITIES WHILE PROCLAIMING DEDICATION TO PEACEFUL USES AND APPLICATIONS SAFEGUARDS, HAVE ELUDED EFFORTS BRING THEM ON BOARD NPT. EARLIER CERTAINLY, ROUX CLAIMED GREATEST HOPE WAS TO BRING US INTO THIS OPERATION, SUGGESTING POSSIBLE NON-PROLIFERATION CONTROL THROUGH PARTICIPATION OF WEAPONS POWER. GIVEN APPARENT FACT THAT SA PROCESS MAY HAVE FAR REACHING SIGNIFICANCE, PRIVATE US COMPANY INITIATIVE MIGHT CONCEIVABLY HAVE SOME MERIT AS CHANNEL FOR US INTEREST INVOLVEMENT. POLITICAL PROBLEM MIGHT BE REDUCED SOMEWHAT ALTHOUGH IT WOULD NOT RPT NOT BE REALISTIC TO ASSUME IT WOULD GO AWAY. WE ASSUME GE WOULD NEED SOME SORT OF GREEN LIGHT TO GO MUCH FURTHER IN ITS PRESENT EXPLORATION. WHETHER OR NOT (RPT NOT) THIS SHOULD BE GIVEN SEEMS TO US TO REQUIRE VERY CAREFUL EVALUATION AT APPROPRIATE HIGH LEVELS OF THE USG AS TO THE ULTIMATE BALANCE OF US INTEREST IN THIS MATTER. PERHAPS THE POTENTIAL OF THIS PROCESS IS OF SUFFICIENT IMPORTANCE TO OUTWEIGH POLITICAL PROBLEMS, PERHAPS NOT (RPT NOT). WE ACCORDINGLY REPORT THIS DEVELOPMENT FOR CONSIDERATION, REQUESTING THAT JOHNSON'S POSITION IN THE MATTER BE PROTECTED.

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Message Attributes

Automatic Decaptioning: Z
Capture Date: 27 JUL 1999
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: URANIUM, PROGRAMS (PROJECTS)
Control Number: n/a
Copy: SINGLE
Draft Date: 06 FEB 1974
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974PRETOR00510
Document Source: ADS
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: 11652 XGDS-3
Errors: n/a
Film Number: P740146-0696
From: PRETORIA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740268/abbrzbiu.tel
Line Count: 134
Locator: TEXT ON-LINE, TEXT ON MICROFILM
Office: ACTION SS
Original Classification: SECRET
Original Handling Restrictions: EXDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: SECRET
Previous Handling Restrictions: EXDIS
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 04 SEP 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <04 SEP 2002 by boyleja>; APPROVED <10 DEC 2002 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: SOUTH AFRICAN URANIUM ENRICHMENT PROJECT: APPROACH BY GENERAL ELECTRIC TO ROUX
TAGS: ENRG, TECH, US, SF, SOUTH AFRICAN GENERAL ELECTRIC CO
To: STATE INFO CAPE TOWN
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005